Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Access Charge Reform	)	**CC Docket No. 96-262**
	)	
Price Cap Performance Review for Local Exchange Carriers	)	**CC Docket No. 94-1**
	)	
	)	
Low-Volume Long Distance Users	)	**CC Docket No. 99-249**
	)	
Federal-State Joint Board on Universal Service	)	**CC Docket No. 96-45**

COMMENTS OF CINCINNATI BELL TELEPHONE COMPANY AND BROADWING COMMUNICATIONS INC.

Cincinnati Bell Telephone Company and Broadwing Communications Inc. ("Broadwing") submit these comments in response to the Commission's March 8, 2000 Public Notice in the above captioned proceedings.[1] Cincinnati Bell Telephone Company and Broadwing Communications Inc. are wholly owned subsidiaries of Cincinnati Bell Inc. d/b/a Broadwing Inc., an integrated communications provider which delivers voice, data, wireless and Internet services nationwide.

I. INTRODUCTION

It appears that the modified CALLS proposal carefully attempts to address the primary concerns of the state commissions and the consumer interest groups while simultaneously moving to a universal service and access charge system that will provide stability and enhance competition. Although Broadwing generally supports the modified CALLS proposal, the plan

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[1] Coalition for Affordable Local and Long Distance Services (CALLS) Modified Proposal, CC Docket No. 96-262, CC Docket No. 94-1, CC Docket No. 99-249, CC Docket No. 96-45, Public Notice, DA 00-533, (rel. March 8, 2000).

falls somewhat short of adequately addressing the differences between the large companies that are CALLS members and the primarily smaller companies that have not officially joined the coalition. Specifically, Broadwing cites two areas in which the plan could better reflect the different characteristics of the smaller LECs and IXCs, while not jeopardizing the substantial consumer benefits promised by the plan. First, a lower X-factor should apply to 2% mid-size LECs on special access. Second, tandem switched and tandem transport rates should receive a proportionate share of the additional switched access reductions to ensure that smaller IXCs are not disadvantaged relative to the large IXCs.

II. 6.5 PERCENT X-FACTOR IS TOO HIGH FOR 2% MID-SIZE ILECS

The modified CALLS proposal guarantees reductions in special access for four years, even after a carrier reaches the targeted average traffic sensitive charge rate. The guaranteed reductions are achieved via the continued application of the 6.5 percent X-factor to special access. This 6.5 percent X-factor will apply to all LECs without regard to whether the circumstances of the 2% mid-size LECs warrant a lower X-factor. Failure to recognize the mid-size LEC differential in this instance is as inappropriate as the Commission's previous neglect of this issue in its numerous productivity proceedings.[2] As Cincinnati Bell Telephone Company and other 2% mid-size LECs have consistently demonstrated, the evidence supports a differential of at least 1.0 to 1.5 percent between the X-factor applied to the large companies compared to the mid-size companies.[3]

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[2] See, Comments of Cincinnati Bell Telephone Company, in the matter of Price Cap Performance Review for Local Exchange Carriers, CC Docket No. 94-1, Access Charge Reform, CC Docket No. 96-262, filed January 7, 2000 for an overview of the history of how the Commission has addressed the matter of the mid-size productivity issue.
[3] See, *Ibid.* for a review of the evidence supporting a differential of at least 1.0 to 1.5 percent between the productivity growth rate achievable by the large companies compared to the mid-size LECs.

Both the original CALLS proposal and the modified proposal recognize that "mid-size LECs" generally have different economies of scale than do the large LECs; they incur greater costs to provide service, do not receive the same volume discounts from vendors, and overall, shoulder a disproportionate burden, both in terms of time and expense, in meeting regulatory costs."[4] These are the very same factors which hamper the 2% mid-size LECs ability to achieve and maintain the same productivity growth rates as the large LECs. Broadwing commends the Coalition for recognizing these differences and for incorporating provisions into the plan to account for these differences.

The original proposal set a $0.0065 per minute average traffic sensitive charge target rate for the non-RBOC/GTE LECs, which includes the 2% mid-size LECs, versus a $0.0055 per minute rate for the large LECs. The modified plan includes the same target rate differential and adds some limited safeguards for mid-size LECs that serve rural areas. Under the original plan, without the guaranteed special access reductions, the differential target rate came closer to accommodating for the differences between the large LECs and the 2% mid-size LECs. However, the incorporation of the guaranteed special access reductions in the modified plan changes the dynamics of the proposal and it no longer adequately accounts for differences between the large and mid-size LECs.

Broadwing understands that part of the CALLS compromise is that parties agree to use the existing X-factor, regardless of their positions in other proceedings advocating either a higher or lower X-factor; however, the mid-size X-factor differential can be distinguished from the general discussion of the appropriate X-factor which the CALLS members have agreed to put aside. Because the 2% mid-size LECs have long held that the appropriate X-factor for 2% mid-

[4] Memorandum in Support of the Revised Plan of the Coalition for Affordable Local and Long Distance Service ("CALLS"), filed March 8, 2000, at page14.

size companies is less than that of the large companies, by adopting the CALLS proposal the 2% mid-size carriers will implicitly be making a greater concession under the CALLS plan than the large LECs.[5] Thus, if the CALLS plan is adopted in its current form, the 2% mid-size price cap LECs will bear a disproportionate burden (i.e., share of the special access reductions) relative to the large price cap companies.

This inequity in the modified proposal can easily be rectified by specifying that the 2% mid-size LECs should reduce special access rates by using an X-factor of 5.0 percent annually in 2001, 2002, and 2003, instead of 6.5 percent. The 3.0 percent X-factor for 2000 would apply to both large and mid-size price cap LECs. This modification will not have a direct impact on the end user consumer benefits provided for under the modified CALLS proposal and the guaranteed reductions in special access will be only slightly smaller since the 2% mid-size LECs represent such a small portion of the total special access revenue of the price cap LECs. Based on the estimated impacts of the modified CALLS proposal provided by CALLS, Broadwing estimates that the impact of applying a 5.0 percent X-factor to 2% mid-size LEC special access will amount to approximately $4.2 million over the life of the plan. For this relatively insignificant sum (less than .5% of the total $915 million in special access reductions under the plan), the inequities between the large and 2% mid-size price cap companies that exists under the modified CALLS plan can be eliminated.

[5] It is important to note that the 2% mid-size LECs have not argued that the Commission's prescribed X-factor is appropriate for large LECs, but not for mid-size LECs. Rather the 2% mid-size carriers have found the existence of a differential between the large and mid-size carriers. Therefore, to the extent that the X-factor is too high for the large carriers, it is even more so for the 2% mid-size LECs.

III. SMALLER LONG DISTANCE CARRIERS SHOULD BE ASSURED OF REDUCTIONS IN TANDEM SWITCHED RATES

A significant feature of the modified CALLS proposal is the reduction in switched access rates. Reductions over the life of the plan are estimated to drop switched access rates nearly 50 percent, with $2.1 billion of that reduction occurring on July 1, 2000. The modified proposal specifies that the additional switched access reductions necessary to reach the $2.1 billion on July 1, 2000 are to be calculated as a percentage of the local switching element, but that carriers may take these reductions against any of the average traffic sensitive charge rate elements. However, it further specifies that at least a proportionate share of the additional reduction must be taken from local switching rates.

In order to ensure that the switched access reductions equitably flow to both large and small IXCs, Broadwing recommends that one additional caveat be added to the CALLS proposal—namely, that tandem switched and tandem transport rates receive at least their proportionate share of the reductions. Without this guarantee, it is possible that the tandem routed traffic will receive a relatively small or no reduction. Under such a scenario, the smaller IXCs, which rely more heavily on tandem routed traffic than the larger carriers, would be disadvantaged relative to their larger competitors.

The modified CALLS proposal was carefully crafted to considerably increase the savings to consumers. In addition to the SLC and PICC changes which will directly benefit consumers, presumably some of the switched access reductions will ultimately flow to consumers via reduced long distance rates. If the benefits of the additional negotiated switched access reductions accrue primarily to the larger IXCs, the smaller carriers will be competitively disadvantaged since they will not have received the benefit of the additional switched access reductions. By guaranteeing that rates for tandem traffic receive at least a proportionate share of the additional reduction in switched access, the Commission will ensure that the plan is competitively neutral which in turn will ensure the continuation of a vibrant long distance market.

IV. CONCLUSION

In general, the CALLS proposal represents a major step forward in the decades long debate over universal service and access charge reform. In addition, the modified proposal clearly generates substantial consumer benefits. Although the proposal represents a significant improvement over the current system, Broadwing urges the Commission to carefully consider the revisions suggested in these comments. These changes will ensure that the plan equitably represents the interests of all carriers in furtherance of the Commission's goal to promote robust competition in both the local and long distance markets.

Respectfully submitted,

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